

SUMMARY ANALYSIS OF AMENDED BILL

Franchise Tax Board

Author: Speier Analyst: Roger Lackey Bill Number: SB 42

Related Bills: See Prior Analysis Telephone: 845-3627 Amended Date: 04-29-99

Attorney: Patrick Kusiak Sponsor:

SUBJECT: Health Insurance Deduction Conformity/Phase-in 100% Deduction

DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced/amended _____.

X AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.

AMENDMENTS DID NOT RESOLVE THE DEPARTMENT'S CONCERNS stated in the previous analysis of bill as introduced/amended _____.

FURTHER AMENDMENTS NECESSARY.

DEPARTMENT POSITION CHANGED TO _____.

X REMAINDER OF PREVIOUS ANALYSIS OF BILL AS AMENDED April 15, 1999, STILL APPLIES.

OTHER - See comments below.

SUMMARY OF BILL

This bill would provide that for taxable years beginning on or after January 1, 1999, California law would conform to federal law with regard to the incremental phase-in of a 100% deduction for self-employed health insurance costs.

This analysis will not address the bill's provision regarding General Fund forecasting, as it does not impact the department.

SUMMARY OF AMENDMENT

The April 29, 1999, amendments eliminated the provision of the bill that would have reduced the prepayment to the Secretary of State for qualified new corporations from \$300 to \$0.

In addition, a technical concern has been identified and provided below.

As a result of the April 29, 1999, amendment, a revised revenue estimate is provided below. The department's analysis of the health insurance provision in SB 42 as amended April 15, 1999, still applies.

Technical Consideration

This bill by reference would increase health insurance deductions for the self-employed to 100% by conforming to the federal percentages provided for by Section 2002 of the Taxpayer Relief Act of 1997 (P.L. 105-34). However, this is an incorrect reference. The correct reference is Section 2002 of the Tax and Trade Relief Extension Act of 1998 (P.L. 105-277).

Board Position:

<u> </u> S	<u> </u> NA	<u> </u> NP
<u> </u> SA	<u> </u> O	<u> </u> NAR
<u> </u> N	<u> </u> OUA	<u> X </u> PENDING

Department/Legislative Director Date

Johnnie Lou Rosas **5/18/1999**

Revenue Estimate

The revenue losses from this bill are estimated as shown below.

Fiscal Year Cash Flow Impact Effective 1/1/99 Enacted Assumed After 6/30/99 \$ Millions				
1999-00	2000-01	2001-02	2002-03	2003-04
-\$21	-\$19	-\$25	-\$49	-\$83

BOARD POSITION

Pending.